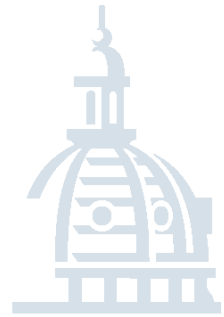


## FISCAL UPDATE Article

*Fiscal Services Division*

June 7, 2018



---

### END OF SESSION FISCAL UPDATE — 2018

The following article has five sections. The first three sections summarize the condition of the General Fund, other State funds, and federal block grant funds. The fourth section is a list of links to articles on each of the policy bills that had significant fiscal impact or were otherwise of major interest. The fifth and final section is a list of links to the final action NOBAs for all of the appropriations bills.

For more detailed information regarding the General Fund and other State funds, the following documents are available:

[General Fund Balance Sheet and Support Documents](#)  
[General Fund Appropriations Tracking](#)  
[Other Funds Appropriations Tracking](#)  
[Rebuild Iowa Infrastructure Fund](#)  
[Technology Reinvestment Fund](#)  
[Environment First Fund](#)  
[Skilled Worker and Job Creation Fund](#)  
[Temporary Assistance for Needy Families Fund](#)

### GENERAL FUND

The 2018 General Assembly passed a balanced budget for FY 2019 and revised the FY 2018 General Fund budget to eliminate a projected mid-year shortfall. The information below provides a summary of General Fund budgets for year-end FY 2017, revised FY 2018, and FY 2019.

**Fiscal Year 2017.** The initial FY 2017 General Fund budget, first enacted during the 2016 Legislative Session, was balanced with an estimated surplus of \$80.0 million. The revenue estimate that this budget was based on was later revised downward by the Revenue Estimating Conference (REC) on three separate occasions, which caused the budget to have a projected shortfall of \$130.4 million by March 2017. In response, the General Assembly passed legislation that transferred \$131.1 million from the Cash Reserve Fund to the General Fund to balance the budget with a new estimated surplus of \$1.6 million.

After the FY 2017 budget was enacted and the General Assembly adjourned the 2017 Legislative Session, revenue collections continued to come in below projections. At the close of the fiscal year, the General Fund budget had a deficit of \$13.0 million. In response, the Governor transferred \$13.0 million from the Economic Emergency Fund in October 2017 to balance the budget. The FY 2017 General Fund budget ended the fiscal year with a zero balance.

**Fiscal Year 2018.** In May 2017, the FY 2018 General Fund budget was first enacted with an estimated year-end surplus of \$107.3 million. The budget included net receipts of \$7.357 billion and net appropriations (after reversions) of \$7.269 billion. In the months following, the FY 2018 budget went through numerous changes. The REC met in October and December 2017 and lowered the FY 2018 revenue estimate by \$133.1 million (1.8%).



The budget also changed due to federal tax law changes signed into law on December 22, 2017. The significant changes that affected State revenues were the reductions of corporate and personal income tax rates. An analysis from the Iowa Department of Revenue estimated that State personal income tax revenues would increase due to Iowa's federal deductibility statute. Between January and March, the estimated impact of the federal law changes on Iowa was revised several times by the Department of Revenue. The final estimate assumed Iowa's General Fund revenue would increase by \$28.4 million in FY 2018 and \$188.3 million in FY 2019.

In January 2018, the Legislative Services Agency (LSA) projected an FY 2018 budget shortfall of \$34.7 million. The estimate was revised in March to a projected shortfall of \$3.6 million. In order to bring the FY 2018 budget into balance, the General Assembly passed, and the Governor signed into law, [SF 2117](#) (FY 2018 Budget Adjustment Act). [Senate File 2117](#) reduced appropriations by a net total of \$23.3 million and transferred \$10.0 million in revenue from the Skilled Worker and Job Creation Fund to the General Fund. As a result of these actions, the current General Fund surplus for FY 2018 is estimated to be \$31.7 million.

**Fiscal Year 2019.** The FY 2019 General Fund budget passed by the 2018 General Assembly was based on total available resources of \$7.641 billion. This includes the March 2018 REC revenue estimate of \$7.546 billion and revenue adjustments of \$94.9 million, and an estimated surplus carryforward of \$800,000 (**Tables 1 and 2**). The FY 2019 revenue adjustments include net General Fund reductions totaling \$93.4 million passed by the General Assembly and an increase of \$188.3 million associated with the impact on the Iowa federal deductibility statute of federal tax law changes signed into law in December 2017. The revenue reductions were driven largely by the passage of [SF 2417](#) (Income and Sales Tax Modernization Act). This Act reduced revenue by an estimated \$100.1 million for FY 2019 and by an estimated \$1.527 billion over the next five years.

The General Assembly appropriated \$7.480 billion from the General Fund for FY 2019, an increase of \$225.9 million (3.1%) compared to estimated net FY 2018.

The Governor did not item veto any appropriations or revenue adjustments from legislation passed by the General Assembly during the 2018 Legislative Session. The Governor did item veto an allocation from [SF 2418](#) (Health and Human Services Appropriations Act) that will result in an increase in reversions for FY 2019 by an estimated \$195,000 for FY 2019. The General Fund ending balance for FY 2019 is estimated to be \$166.2 million.



**Table 1**  
**Projected Condition of the General Fund Budget**

(Dollars in Millions)

	<b>Actual FY 2017</b>	<b>Est Net FY 2018</b>	<b>Final Action FY 2019</b>
<b>Resources:</b>			
Receipts (Dec. Est.)	\$ 7,095.9	\$ 7,237.5	\$ 7,527.0
March REC Adjustment		4.9	18.5
Net Receipts	7,095.9	7,242.4	7,545.5
Reserve Fund Transfers	144.1	0.0	0.8
Revenue Adjustments	0.0	38.2	94.9
Subtotal Receipts	7,240.0	7,280.6	7,641.2
Surplus Carryforward	18.2	0.0	0.0
<b>Total Available Resources</b>	<b>\$ 7,258.2</b>	<b>\$ 7,280.6</b>	<b>\$ 7,641.2</b>
<b>Expenditure Limitation</b>			<b>\$ 7,545.0</b>
<b>Estimated Appropriations and Expenditures:</b>			
Appropriations	\$ 7,351.7	\$ 7,264.6	\$ 7,480.2
Transfer to Economic Emergency Fund	0.0	13.0	0.0
Supplemental/Deappropriations	- 88.2	- 23.3	0.0
<b>Total Appropriations</b>	<b>\$ 7,263.5</b>	<b>\$ 7,254.3</b>	<b>\$ 7,480.2</b>
<b>Reversions</b>	<b>- 5.3</b>	<b>- 5.4</b>	<b>- 5.0</b>
<b>Governor's Item Vetoes</b>	<b>0.0</b>	<b>0.0</b>	<b>- 0.2</b>
<b>Net Appropriations</b>	<b>\$ 7,258.2</b>	<b>\$ 7,248.9</b>	<b>\$ 7,475.0</b>
<b>Ending Balance - Surplus</b>	<b>\$ 0.0</b>	<b>\$ 31.7</b>	<b>\$ 166.2</b>

**Table 2**  
**General Fund Revenue Adjustments by Bill**  
**Legislative Action**

(Dollars in Millions)

<b>Bill No.</b>	<b>Revenue Description</b>	<b>FY 2018</b>	<b>FY 2019</b>
Current Law	Federal Tax Cuts & Jobs Act	\$ 28.4	\$ 188.3
SF 2417	Income & Sales Tax Modification	- 0.2	- 100.1
SF 2349	Association Health Plans	0.0	- 1.8
HF 2492	Justice Bill - Small Claims Filing Fee	0.0	- 1.0
SF 2407	Raceway Sales Tax Rebate Modification	0.0	- 0.7
HF 2478	Construction Equipment Sales Tax	0.0	- 0.4
SF 2117	Skilled Worker Job Creation Fund Transfer	10.0	0.0
HF 2493	State Wagering Tax Receipts	0.0	2.3
HF 2502	Taxpayers Trust Fund Transfer	0.0	8.3
<b>Total Revenue Adjustments</b>		<b>\$ 38.2</b>	<b>\$ 94.9</b>



Of the total increase of \$225.9 million in appropriations for FY 2019, \$212.8 million went to five programs and departments. The largest increase in funding totaled \$93.1 million for an appropriation to the Cash Reserve Fund. This appropriation was used to help repay the Cash Reserve Fund for the transfer of \$131.1 million that was used to help balance the FY 2017 General Fund budget. Other notable increases include \$54.8 million for Medicaid, \$34.8 million for State School Aid, \$8.5 million to the Board of Regents, and \$7.4 million to the Department of Corrections. All other agencies and programs received a net increase of \$16.0 million (**Table 3**).

<b>Table 3</b> <b>Significant Changes in FY 2019 General Fund Appropriations</b> (Dollars in Millions)				
	<b>Est Net FY 2018</b>	<b>Final Action FY 2019</b>	<b>Change</b>	<b>Percent Change</b>
State Foundation School Aid	\$ 3,179.6	\$ 3,214.5	\$ 34.8	1.1%
Medicaid	1,283.0	1,337.8	54.8	4.3%
Board of Regents	558.4	567.0	8.5	1.5%
Department of Corrections	374.4	381.8	7.4	2.0%
Cash Reserve Fund	20.0	113.1	93.1	465.5%
Transportation School Equity Act	0.0	14.1	14.1	--
Subtotal	\$ 5,415.4	\$ 5,628.3	\$ 212.8	3.9%
All Other Appropriations	\$ 1,838.9	\$ 1,852.0	\$ 13.1	0.7%
Total	\$ 7,254.3	\$ 7,480.2	\$ 225.9	3.1%
Numbers may not equal totals due to rounding.				

The combined balances in the State's reserve funds are estimated to total \$762.1 million for FY 2019, which fills the reserves to the statutory maximum of 10.0% of the adjusted revenue estimate. In addition, this is an increase of \$138.0 million compared to the FY 2018 reserve balance (**Table 4**).

<b>Table 4</b> <b>Combined Reserve Fund Balances</b> (Dollars in Millions)			
	<b>Actual FY 2017</b>	<b>Est Net FY 2018</b>	<b>Final Action FY 2019</b>
<b><u>Fund Balances</u></b>			
Cash Reserve Fund	\$ 422.4	\$ 442.4	\$ 571.6
Economic Emergency Fund	182.9	181.7	190.5
Total	\$ 605.3	\$ 624.1	\$ 762.1
<b><u>Statutory Maximum</u></b>			
Cash Reserve Fund	\$ 553.5	\$ 552.8	\$ 571.6
Economic Emergency Fund	184.5	184.3	190.5
Total	\$ 738.0	\$ 737.1	\$ 762.1



## OTHER STATE FUNDS

For FY 2019, the General Assembly appropriated \$1.194 billion from non-General Fund sources, which represents a decrease of \$5.6 million (0.5%) compared to estimated net FY 2018. **Table 5** summarizes the Other Fund appropriations by Appropriation Subcommittee.

<b>Table 5</b> <b>Other Fund Appropriations by Subcommittee</b> (Dollars in Millions)				
	<b>Actual FY 2017</b>	<b>Est Net FY 2018</b>	<b>Final Action FY 2019</b>	<b>FY 2019 vs FY 2018</b>
Administration and Regulation	\$ 54.2	\$ 55.0	\$ 55.2	\$ 0.3
Agriculture and Natural Resources	90.2	90.8	90.9	0.1
Economic Development	34.0	24.5	32.8	8.3
Education	40.3	40.3	40.3	0.0
Health and Human Services	446.8	430.1	420.2	- 9.9
Justice System	17.8	18.0	17.4	- 0.6
Transportation, Infrastructure, and Capitals	542.1	536.5	532.7	- 3.8
Unassigned Standings	6.5	4.3	4.3	0.0
<b>Grand Total</b>	<b>\$ 1,231.9</b>	<b>\$ 1,199.5</b>	<b>\$ 1,193.9</b>	<b>\$ - 5.6</b>
Numbers may not equal totals due to rounding.				

Approximately 70.0% of the FY 2019 Other Fund appropriations were from four sources: the Primary Road Fund (PRF), Health Care Trust Fund, Rebuild Iowa Infrastructure Fund (RIIF), and Temporary Assistance for Needy Families (TANF) Fund. **Table 6** summarizes the appropriations by fund source.

<b>Table 6</b> <b>Other Fund Appropriations by Fund Source</b> (Dollars in Millions)				
	<b>Actual FY 2017</b>	<b>Est Net FY 2018</b>	<b>Final Action FY 2019</b>	<b>FY 2019 vs FY 2018</b>
Primary Road Fund	\$ 320.6	\$ 335.5	\$ 329.8	\$ - 5.8
Health Care Trust Fund	222.0	221.9	217.1	- 4.8
Rebuild Iowa Infrastructure Fund (Net)	152.5	127.4	137.3	9.9
Temporary Assistance for Needy Families	151.6	136.2	130.5	- 5.7
Skilled Worker and Job Creation Fund	66.0	56.0	63.8	7.8
Road Use Tax Fund	52.9	53.8	53.7	- 0.1
Fish and Game Fund	43.1	43.8	43.8	0.0
Environment First Fund	42.0	42.0	42.0	0.0
Quality Assurance Trust Fund	36.7	36.7	36.7	0.0
Hospital Health Care Access Trust Fund	34.7	33.9	33.9	0.0
Commerce Revolving Fund	30.2	30.7	30.7	0.0
Other	79.6	81.7	74.7	- 7.0
<b>Total</b>	<b>\$ 1,231.9</b>	<b>\$ 1,199.5</b>	<b>\$ 1,193.9</b>	<b>\$ - 5.6</b>
Numbers may not equal totals due to rounding.				



**LEGISLATION WITH SIGNIFICANT IMPACT**

[HF 2446 — Utilities Board, Statutory Changes](#)

[SF 2390 — Licensure of Food Establishments](#)

[School Finance Legislation](#)

[SF 2417 — Income and Sales Tax Modifications Act](#)

[HF 2440 — Water Quality Program Technical Corrections Act](#)

[SF 2388 — Telecommunications Property Taxation](#)

[SF 2099 — Probate, Small Estates](#)

[HF 2478 — Sales Tax on Construction Equipment Purchased by Dealers](#)

[SF 2407 — Raceway Facility Sales Tax Rebate Modification](#)

[SF 359 — Prohibiting and Requiring Certain Actions Relating to a Fetus](#)

[SF 2311 — Energy Utilities](#)

[HF 2377 — Opioid Regulation](#)

[SF 2117 — FY 2018 Budget Adjustment Act](#)

[SF 2349 — Association Health Plans](#)

[HF 2456 — Mental Health, Complex Services Needs Workgroup](#)

[HF 2255 — Contraband in Prison](#)

[HF 2235 — Statewide Student Assessments](#)

[HF 2467 — School Student Lunches](#)

[SF 475 — Education Omnibus](#)

[SF 512 — Water Quality Act](#)

[HF 2442 — Concussion Injuries, School Policies](#)

[SF 2059 — Property Tax Assessment, Electronic Delivery of Notices](#)

[SF 2113 — Suicide Prevention Training](#)

[SF 2114 — Education Laws, Code Corrections, and Clarifications](#)

[SF 2227 — County Resolution Publishing](#)

[HF 2343 — Statutory Construction, Explicit Delegation of Authority](#)

[HF 2349 — Excluded Gamblers, Racing and Gaming Commission Regulation](#)

[SF 2165 — Victim Compensation](#)



[HF 2338 — Operating While Intoxicated — Temporary Restricted Licenses](#)

[HF 2258 — Flood Project Fund Act](#)

[SF 2366 — Veterans Affairs Commission and Trust Fund Expenditures Act](#)

[HF 2297 — Boiler Inspections](#)

[HF 2321 — Unemployment Compensation, Workforce Development Department](#)

[SF 2163 — Lighting Devices or Reflectors on Department of Transportation Vehicles or Equipment Used for Snow and Ice Treatment or Removal](#)

#### **FINAL ACTION ON APPROPRIATIONS ACTS**

[SF 2416 — Administration and Regulation Appropriations Act](#)

[HF 2491 — Agriculture and Natural Resources Appropriations Act](#)

[HF 2493 — Economic Development Appropriations Act](#)

[SF 2415 — Education Appropriations Act](#)

[SF 2418 — Health and Human Services Appropriations Act](#)

[HF 2495 — Judicial Branch Appropriations Act](#)

[HF 2492 — Justice System Appropriations Act](#)

[HF 2494 — Transportation Appropriations Act](#)

[SF 2414 — Infrastructure Appropriations Act](#)

[HF 2502 — Standing Appropriations Act](#)

[SF 2117 — FY 2018 Budget Adjustment Act](#)

**LSA Staff Contacts:** Holly Lyons (515.281.7845) [holly.lyons@legis.iowa.gov](mailto:holly.lyons@legis.iowa.gov)  
David Reynolds (515.281.6934) [dave.reynolds@legis.iowa.gov](mailto:dave.reynolds@legis.iowa.gov)  
Robin Madison (515.281.5270) [robin.madison@legis.iowa.gov](mailto:robin.madison@legis.iowa.gov)